Employment Security Department
WASHINGTON STATE

Proposed Occupations in Demand methodology

October 15, 2012

Summary

The Occupations in Demand list, formerly known as the Demand-Decline or Training Benefits list, distinguishes among occupations that are "in demand," "balanced" and "not in demand" across the state and within individual Workforce Development Areas. The list is used for determining eligibility for a variety of training and support programs.

On an annual basis, the Employment Security Department's Labor Market and Economic Analysis (LMEA) branch develops an initial list identifying occupations that are "in demand," "balanced," and "not in demand" on the state and Workforce Development Area level. The local Workforce Development Councils (WDC) then review, adjust and approve that initial list on the basis of their local, on-the-ground experience. LMEA's state and regional labor economists provide technical assistance to the WDCs, on request, in updating the list throughout the year.

The currently published 2011 Occupations in Demand list is based on five input sources. The proposed 2012 list is based on only one input source. The 2011 list identies occupations as "in demand", "balanced" and "not in demand" according to a 30/20/50 split. The proposed 2012 list identies occupations by area growth rates and total openings.

Why change the methodology?

The current five input sources are: 1) statewide and Workforce Development Area-specific two- and ten-year occupational projections; 2) unemployment insurance (UI) claims by estimated employment; 3) UI claims by change in occupation; 4) state-level Job Vacancy Survey (JVS) results; and 5) the Help Wanted Online (HWOL) data series.

Review of this current methodology revealed that four of the five inputs add little additional value over the occupational projections alone, particularly on the Workforce Development Area (WDA) level.

- While the two UI claims categories are a good source of data, they are very limited on the WDA level, particularly for WDAs with smaller populations. They are restricted by the number of claimants in the area, and then further constrained by the specific occupations in which those claimants were employed.
- Only state-level JVS results were, and could be, included in calculations.
- Lastly, in the previous round of budget cuts, ESD made the decision to end its subscription to HWOL. As a result, this data source is no longer available.

Given these limitations, the single input source for the proposed Occupations in Demand methodology is statewide and WDA-specific occupational projections.

The current 30/20/50 split does not necessarily correspond to true measures of occupational demand. The proposed use of projected growth and openings, for category creation, is area specific and thus corresponds more closely to regional occupational demand.

More on projections

ESD produces annual industry employment forecasts for two, five and ten years. Staffing patterns for each industry are used to convert industry projections into occupational projections. These projections are based on two primary sets of data: a time series of historical employment data; and data on predictive indicators.

Occupational projections show how many job openings are expected due to occupational employment growth and decline, and replacement needs. Replacement includes openings created by retirements and separations. It does not include normal turnover as workers go from one employer to another or from one area to another without changing their occupations. Total openings from occupational projections do not represent the total demand, but can be used as an indicator of the demand.

To best reflect short-, mid- and long-term economic conditions, the proposed methodology includes three different sets of projections:

- Five-year projections (2010-2015);
- Ten-year projections (2010–2020); and
- Combination of two- and ten-year projections.

The five-year time frame is supportive of training applicants' timelines. The ten-year time frame measures trends beyond the disruptions of the 2007 economic recession. The combined two- and ten-year time frame combines short- and long-term trends, to better reflect immediate conditions without being overly influenced by those conditions. The two- and ten-year combination was the predominant input in the current methodology.

Identifying Occupations in Demand

A two-stage process is applied to the three time frames of occupational projections to identify occupations that are "in demand," "balanced" and "not in demand," respectively.

Stage one
For each projection time frame (five years, ten years, and two and ten years), occupations are initially classified as "in demand" or "not in demand" as follows.

- "In demand": Occupations with average annual growth rates equal to or greater than 90 percent of their respective total area's average annual growth rates **and** have a share of total openings in the area equal to or greater than 0. 08 percent are categorized as "in demand."
- "Not in demand": Occupations with average annual growth rates less than 70 percent of their respective total area's average annual growth rates **and** contribute less than one percent to total area openings are categorized as "not in demand."
- If an occupation is categorized as "in demand" under any of the three projection time frames, the occupation is initially defined as "in demand."
- If an occupation is categorized as "not-in-demand" under any of the three projection time frames, the occupation is initially defined as "not-in-demand."

Stage two

- "Balanced": If a given occupation is categorized as "in demand" and "not-in-demand" in stage one, it is redefined as "balanced."
- "Balanced": All other occupations are categorized as balanced (i.e., occupations not falling within the formula thresholds in stage one).

Next steps

LMEA is seeking public comment on the new proposed methodology through October 26, 2012. After incorporating any changes based on feedback received, LMEA will release the list to the WDCs for their further review and adjustments.